

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 /095 W

----- 108590

R 201757Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 1311

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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AMEMBASSY STOCKHOLM

USMISSION EC BRUSSELS

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USMISSION GENEVA

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

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E.O. 11652: N/A

TAGS: ELAB, PINT, UK

SUBJECT: JACK JONES CALLS FOR "POSITIVE RESPONSE" BY UNIONS TO GOVERNMENT IN THE FACE OF ECONOMIC CRISIS

REF: LONDON 6679

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1. BEGIN SUMMARY: AS EACH DAY GOES BY, AS EACH NEW SET

OF INFLATION STATISTICS IS ANNOUNCED, AS THE ECONOMIC CRISIS CONTINUES, THERE IS RECOGNITION BY AN INCREASING NUMBER OF PEOPLE THAT SOMETHING NEEDS TO BE DONE -- BUT, THUS FAR, THERE IS LITTLE CLEAR AGREEMENT ON A FORMULA TO DEAL WITH THE CRISIS. MOREOVER, A CLEARLY DISTORTING ELEMENT HAS BEEN THE REFERENDUM CAMPAIGN, AND NO VIABLE ACTION IS EXPECTED TO EMERGE UNTIL AT LEAST AFTER THE JUNE 5 VOTE AND WHAT IS PERHAPS MORE LIKELY, NOT UNTIL THE AUTUMN. A SLIGHT RAY OF HOPE, HOWEVER, HAS BEEN CAST BY JACK JONES, WHO IS FAST BECOMING A REPRESENTATIVE OF THE "NEW MODERATIONISTS" IN THE TRADE UNION MOVEMENT. THIS PAST WEEKEND HE URGED TRADE UNIONS TO GIVE A "POSITIVE RESPONSE" TO THE GOVERNMENT IN ITS EFFORTS TO RESOLVE THE CRISIS. JONES CALLED FOR A RECASTING OF THE SOCIAL CONTRACT BY RELATING WAGE RISES TO THE COST OF LIVING AND LINKING THEM TO AVERAGE EARNINGS IN FLAT-RATE AMOUNTS. DURING A MEETING ON MAY 19 OF THE TUC-LABOR PARTY LIAISON COMMITTEE, CHANCELLOR HEALEY REPORTEDLY GAVE A GOOD RECEPTION TO THE IDEA, ALTHOUGH SOME OF THE TRADE UNION LEADERS REPRESENTING SKILLED WORKERS ARE SAID TO BE LUKEWARM TO IT. AN EARLIER EFFORT WITHIN THE TUC TO DEAL WITH PROBLEM OF EXCESSIVE WAGE RISES BY SETTING UP A "WATCH-DOG" COMMITTEE WAS REJECTED. THE ECONOMIC CRISIS CONTINUES, BUT IT STILL REMAINS TO BE SEEN WHEN AND WHAT FORM OF ACTION WILL BE TAKEN. END SUMMARY.

2. THE OFFICIAL STATISTICS APPEAR TO BE IN GENERAL RATHER GRIM (ALTHOUGH HERE, TOO, A SMALL RAY OF SUNSHINE IS TRYING TO BREAK THROUGH THE SURROUNDING GLOOM). LAST WEEK, THE DEPARTMENT OF EMPLOYMENT PUBLISHED FIGURES INDICATING THAT THE COST OF LIVING IN THE UK ADVANCED BY A RECORD 3.9 PERCENT BETWEEN MARCH AND APRIL, BRINGING PRICE RISES OVER THE LAST 12 MONTH TO 21.7, AND PROJECTING A PROBABLE ANNUAL RATE OF INCREASE RANGING BETWEEN 30 AND - POSSIBLY AS HIGH AS - 35 PERCENT. WAGE SETTLEMENTS WERE RUNNING IN THE AREA OF 30 PERCENT BY CONTRAST, ALTHOUGH THE WAGE GUIDELINES OF THE SOCIAL CONTRACT, IF ADHERED TO, SHOULD HAVE ALLOWED ONLY AN APPROXIMATE 20 PERCENT INCREASE. (A SLIGHT SIGN OF HOPE IS THAT THE INDEX OF BASIC WAGES, ACCORDING TO DEPARTMENT OF EMPLOYMENT

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MENT FIGURES ALSO JUST REPORTED, ROSE BY ONLY 0.1 PERCENT BETWEEN MARCH AND APRIL -- THE SMALLEST MONTHLY INCREASE SINCE NOVEMBER, 1973, ALTHOUGH THIS IS EXPECTED TO JUMP AGAIN NEXT MONTH BECAUSE OF THE DELAY IN COMPLETING BACK-DATED SETTLEMENTS AFFECTING RAILWAYMEN AND POWER WORKERS, WHILE STILL OTHER UNIONS HAVE YET TO SETTLE IN THIS WAGE ROUND.) THE CHANCELLOR OF THE EXCHEQUER, IN HIS BUDGET SPEECH, HAD EXPRESSED THE HOPE THAT THE ANNUAL RATE OF

INFLATION WILL DECREASE TO BETWEEN 12 AND 16 PERCENT IN THE SECOND HALF OF 1975, BUT THIS IS PREDICATED ON THE BASIS OF NO ACCELERATION IN WAGE RATES.

3. JACK JONES, WHO INCREASINGLY APPEARS AS THE TRADE UNION VOICE OF MODERATION ON DOMESTIC AFFAIRS, MADE A WEEKEND SPEECH IN WHICH HE CALLED FOR A NEW WAGES ENTENTE BETWEEN THE UNIONS AND INDUSTRY TO DEAL WITH THE INFLATIONARY CRISIS. HE CALLED FOR WAGE RISES TO BE RELATED TO THE COST OF LIVING AND LINKED TO AVERAGE EARNINGS AND TO "APPLY TO EVERYBODY AT WORK, WHETHER IT IS MPS, JUDGES, CIVIL SERVANTS OR WORKERS GENERALLY." IF AGREEMENT CAN BE REACHED WITHIN THE TUC, THEN WE SHOULD TRY TO

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ARRIVE AT A COLLECTIVE BARGAIN WITH THE CBI."

4. INITIAL REACTION FROM KEY GOVERNMENT MINISTERS WAS
POSITIVE AND WARM. MINISTERS WHO ATTENDED MAY 19 MEET-
ING OF THE TUC-LABOR PARTY LIAISON COMMITTEE, INCLUDING
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CHANCELLOR DENIS HEALEY, REPORTEDLY GAVE IT A GOOD RECEP-
TION, ALTHOUGH TRADE UNION LEADERS REPRESENTING THE SKILL
ED TRADES ARE HOSTILE TO THE IDEA. HEALEY, IT WAS REPORT-
ED, CONSIDERS THE JONES' INITIATIVE AN "ACCEPTABLE ONE."
BUT CERTAIN OF THESE IDEAS WHICH WHEN LAUNCHED SOUND
REASONABLE AND NECESSARY NEED TO HAVE WIDE TRADE UNION
SUPPORT. IT IS TO BE RECALLED THAT LAST WEEK, THE TUC
ECONOMIC COMMITTEE REJECTED THE NOTION OF A "WATCH-DOG"
COMMITTEE TO OVERSEE WAGE CLAIMS (ALONG THE LINES DISCUS-
SED WITH US BY LEN MURRAY, SEE REFTEL) ALTHOUGH IT DID
AGREE TO URGE UNIONS TO ADHERE TO THE SOCIAL CONTRACT.
THE MEETING TODAY BETWEEN MR. HEALEY AND THE TUC CHIEFS
COULD LAY THE BASIS FOR SOME FUTURE ACTION, BUT NO REAL
CHANGE IS EXPECTED BY MOST OBSERVERS BEFORE THE END OF
THE WAGE ROUND AND THE ANNUAL SUMMER CONFERENCES OF TUC
UNIONS - WHEN CLAIMS ARE PUT FORWARD FOR THE NEXT WAGE
ROUND WHICH BEGINS IN THE AUTUMN. ANY NEW INITIATIVE
MUST ALSO SECURE THE APPROVAL OF THE TUC CONGRESS WHICH
MEETS IN EARLY SEPTEMBER.

5. IF THERE IS NO VIABLE NEW INITIATIVE FORTHCOMING FROM
THE UNIONS, CAN THE GOVERNMENT STAND IDLY BY? MOST CER-
TAINLY, THE GOVERNMENT WILL CONTINUE TO PREACH ADHERENCE
TO THE SOCIAL CONTRACT, BUT THIS IS NOTHING NEW -- THESE
SECULAR SERMONS HAVE BEEN PREACHED CONTINUOUSLY -- OFTEN
ON THE WEEKEND. WHILE THE GENERAL BETTING NOW IS THAT NO
DRASTIC ACTION IS EXPECTED MUCH BEFORE THE AUTUMN, IT
SHOULD BE SAID THAT ONE VETERAN TRADE UNIONIST, LORD
VICTOR FEATHER, EX-GENERAL SECRETARY OF THE TUC TOLD US
TODA THAT HE BELIEVES THE GOVERNMENT WILL INTRODUCE A
WAGE FREEZE IN LATE JUNE OR EARLY JULY AND INSTITUTE A
WAGE INDEXING SYSTEM. THERE ARE ALSO SOME WHO BELIEVE A
TOUGH MINI-BUDGET WITH BUILT-IN "CLAW BACKS" OF EXCESSIVE

WAGE INCREASES, CUTS IN SOCIAL SERVICE ALLOCATIONS AND OTHER DRACONIAN FISCAL MEASURES MAY BE PUT FORWARD BY THE CHANCELLOR THIS SUMMER OR IN THE AUTUMN IF THE ECONOMIC SITUATION CONTINUES TO DETERIORATE. STILL OTHERS BELIEVE THAT THE GOVERNMENT MAY RETURN TO A STATUTORY INCOMES POLICY, BUT THIS APPEARS LESS LIKELY FOR POLITICAL AND ECONOMIC REASONS, AND BOTH MAJOR PARTIES ARE DIVIDED ON THIS ISSUE. (LAST WEEK, FOR EXAMPLE, CONSERVATIVE LEADER

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MARGARET THATCHER CAST SERIOUS DOUBT ABOUT THE FEASIBILITY OF A STATUTORY INCOMES POLICY, ALTHOUGH OTHER MEMBERS OF HER PARTY, SUCH AS PETER WALKER, HAVE CALLED FOR ONE.) IN THE MEANWHILE, THE GROPING CONTINUES.

RICHARDSON

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